

HOUSE BILL No. 1317

DIGEST OF INTRODUCED BILL

Citations Affected: IC 36-9-42.2.

Synopsis: Federal fund exchange program. Amends the federal fund exchange program as follows: (1) Requires the department of transportation (department) to make available to eligible entities at least 25% of federal funding received by the department. (2) Allocates the federal funds to eligible entities under the local road and street distribution formula. (3) Allows eligible entities to exchange federal funds for state funds at a rate of \$0.90 for \$1. (4) Requires an eligible entity to establish a federal exchange fund to receive state funds exchanged through the federal fund exchange program.

Effective: July 1, 2016.

Price, Steuerwald

January 12, 2016, read first time and referred to Committee on Roads and Transportation.



Second Regular Session of the 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

HOUSE BILL No. 1317

A BILL FOR AN ACT to amend the Indiana Code concerning local government.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 36-9-42.2-3, AS ADDED BY P.L.141-2013,
2 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2016]: Sec. 3. As used in this chapter, "federal funds" means
4 funds ~~received by an eligible entity through the federal surface~~
5 ~~transportation program.~~ **authorized by Congress to assist the state in**
6 **providing for federal aid programs or projects.**

7 SECTION 2. IC 36-9-42.2-5, AS ADDED BY P.L.141-2013,
8 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
9 JULY 1, 2016]: Sec. 5. **(a)** The federal fund exchange program is
10 established to provide eligible entities and the department with greater
11 flexibility in funding transportation projects. ~~The department shall~~
12 ~~administer the program.~~

13 **(b) During each annual funding cycle, the department shall**
14 **make available to all eligible entities federal funds that equal at**
15 **least twenty-five percent (25%) of all federal transportation**
16 **funding received by the department for disbursement during the**
17 **annual funding cycle. The department shall allocate the federal**



1 **funds in the same manner that money in the local road and street**
 2 **account is allocated under IC 8-14-2-4.**

3 SECTION 3. IC 36-9-42.2-6, AS ADDED BY P.L.141-2013,
 4 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 5 JULY 1, 2016]: Sec. 6. **During each annual funding cycle**, the
 6 department shall ~~determine budget~~ the amount of state funds available
 7 for the program. In making the determination, the department shall
 8 consider the following:

9 (1) Whether adequate state funds are available to fund the
 10 program without putting at risk other transportation activities or
 11 projects needing state funds.

12 (2) Whether the department can readily and effectively use
 13 federal funds received through the program. **needed to exchange**
 14 **one hundred percent (100%) of the federal funds made**
 15 **available to eligible entities during the annual funding cycle.**
 16 **In budgeting the state funds under this section, the**
 17 **department shall take into account all potential funding**
 18 **sources, including a source that is considered a soft match.**

19 SECTION 4. IC 36-9-42.2-7, AS ADDED BY P.L.141-2013,
 20 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 21 JULY 1, 2016]: Sec. 7. An eligible entity is eligible to participate in the
 22 program upon entering into an exchange agreement with the
 23 department. The department shall consider the following before
 24 entering into an exchange agreement with an eligible entity:

25 (1) The amount of federal funds the eligible entity wants to
 26 exchange and the proposed exchange rate.

27 (2) A brief description of each project the eligible entity wants to
 28 fund, including the estimated cost of the project.

29 (3) The benefit to a project described in subdivision (2) from the
 30 removal of federal funding, due to the project's size, type,
 31 location, or other features.

32 (4) The availability of state funds.

33 Subject to section 7.5 of this chapter, an eligible entity may enter into
 34 an exchange agreement with respect to a project at any time during the
 35 project development process.

36 SECTION 5. IC 36-9-42.2-8, AS ADDED BY P.L.141-2013,
 37 SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 38 JULY 1, 2016]: Sec. 8. An exchange agreement must provide the
 39 following:

40 (1) The eligible entity may exchange only federal funds for state
 41 funds.

42 (2) The eligible entity may use state funds only for a ~~capital~~



project that will fulfill the purpose of the original federal project award and that is approved by the department. **purposes set forth in IC 8-14-2-5(1) or IC 8-14-2-5(2).**

(3) If the eligible entity uses state funds to replace local funds in order to use the local funds for purposes unrelated to transportation, **for a purpose that is not authorized under subdivision (2),** the eligible entity ~~(A)~~ must repay the state funds to the department and ~~(B)~~ may not participate in the program during the succeeding fiscal year. **under terms established by the state board of accounts. The terms of repayment:**

(A) must not put at risk the eligible entity's ability to provide statutory services to the public;

(B) must be for a period of not less than one (1) year and not more than ten (10) years; and

(C) may allow for repayment through a reduction in future allocations from the department to the eligible entity.

(4) An exchange rate of not less than ~~seventy-five cents (\$0.75)~~ **ninety cents (\$0.90)** of state funds for each one dollar (\$1) of federal funds.

(5) The eligible entity agrees to provide local matching funds equal to not less than ten percent (10%) of the estimated project cost.

~~(6) The department will disburse the state funds to the eligible entity on a reimbursement basis.~~

SECTION 6. IC 36-9-42.2-9, AS ADDED BY P.L.141-2013, SECTION 1, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2016]: Sec. 9. **(a)** Not later than November 1 of each year, the department shall submit a report on the program to the general assembly in an electronic format under IC 5-14-6. A report submitted under this section must include:

(1) a summary of the exchange agreements entered into during the previous state fiscal year; and

(2) ~~a status report on the implementation of projects funded through the program.~~ **summary of reports submitted to the department under subsection (b) during the preceding fiscal year.**

(b) Not later than July 1 of each year, each eligible entity that is a party to an exchange agreement shall submit a report to the department that includes an accounting of each program or project on which the eligible entity is spending exchanged funds.

SECTION 7. IC 36-9-42.2-12 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS



- 1 [EFFECTIVE JULY 1, 2016]: Sec. 12. (a) An eligible entity that
2 enters into an exchange agreement shall establish a nonreverting
3 fund known as the federal exchange fund to receive funds
4 exchanged with the department under the terms of the exchange
5 agreement. A separate federal exchange fund must be established
6 for each exchange agreement.
- 7 (b) Money in a federal exchange fund may be used only for the
8 purposes set forth in the exchange agreement.
- 9 (c) An eligible entity is not required to spend money in a federal
10 exchange fund upon receipt.
- 11 (d) A federal exchange fund is subject to audit by the state
12 board of accounts.

